

**GOVERNANCE GUIDELINES OF
THE NATIONAL ASSOCIATION OF CORPORATE
DIRECTORS**

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**GOVERNANCE GUIDELINES OF
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Presented by the Governance Committee of the NACD Board of Directors

In October 1998, the NACD Board of Directors first adopted governance guidelines to assist Directors in discharging their responsibilities and ensuring their commitment to the highest standards of corporate conduct and compliance. These guidelines are reviewed annually by the Governance Committee, which recommends revisions for Board approval. The guidelines set forth the policies and procedures that the Board will implement in discharging its responsibilities, and cover a full range of areas, including: mission; legal and ethical conduct; oversight of NACD activities (including NACD strategy); Board processes and performance; assessment of Board performance; selection and orientation of Directors; and oversight of the CEO and other senior managers.

FOREWORD

Expectations of corporate directors have increased significantly in recent years and will continue to evolve as state and federal legislatures and regulators focus more attention on the governance of the nonprofit sector. This enhanced focus has brought increased scrutiny of individual director qualifications, executive compensation, leadership structures and the board's ability to assess risk. Accordingly, NACD recommends that organizations of every type revise their governance documents to reflect evolving best practices.

The National Association of Corporate Directors (NACD) has had an active board for many years, and in 1998 it adopted its initial board governance guidelines. We publish these guidelines so that NACD members will be better informed about the activities of the Board of Directors. Also, these guidelines may be useful as a starting point for other organizations, particularly nonprofits. We emphasize *starting* point, because an important benefit of board guidelines comes from the discussions involved in developing them. We also recognize that governance activities in the nonprofit world vary greatly and that it would be a mistake to take a "one-size-fits-all" approach to governance.

As a leader in providing advice on corporate governance to directors, boards and management, NACD's goal is to serve as a model of good corporate governance. These governance guidelines are intended to provide the framework for achieving that goal. The guidelines are posted on NACD's website at www.nacdonline.org.

GOVERNANCE GUIDELINES OF THE NATIONAL ASSOCIATION OF CORPORATE DIRECTORS

The Board of Directors of NACD has adopted these governance guidelines to provide Directors with an overview of the structure of the Board and how it functions with respect to its most important responsibilities. The guidelines also provide information on the policies and procedures adopted by the Board to serve the interests of its members and the public, consistent with its fiduciary obligations. These guidelines are intended to serve as a flexible framework within which a board may conduct its business. They should be interpreted in the context of all applicable laws, articles of incorporation, bylaws, committee charters and other governing legal documents. (Unless otherwise noted, all references in the guidelines to “Directors” or the “Board” indicate all members of the Board of Directors of NACD, including any employee Director.)

Mission Statement

NACD advances exemplary board leadership - for directors, by directors. Our team provides the information and insights that board members rely upon to confidently navigate business challenges and enhance long-term shareowner value. Importantly, directors and boards turn to NACD to gain the knowledge and wisdom to become a strategic asset to their companies, and NACD amplifies the collective voice of directors in the national dialogue on board governance issues. NACD is the *Voice of the Director*. Our entire organization is focused on meeting the needs of board members, and supporting directors to perform more effectively and efficiently.

Board Membership

Board Size. The bylaws authorize between five and seventeen Directors. The Board, by majority vote, may increase or decrease this number. The Governance Committee is charged with reviewing the size of the Board annually when it considers candidates and nominees for the Board.

Mix of Directors. It is Board policy that all members, other than the Chief Executive Officer (“CEO”), shall be outside independent directors. The CEO shall be the only management member of the Board.

Definition of Independent Director. A Director is viewed as independent only if the Director is a non-management Director free of any material, business or professional relationship with NACD or its management, and free of any close family relationship with NACD management. Board members are not compensated for Board service; however, Board members (other than the Chairman) may serve as faculty at NACD-sponsored educational seminars and receive compensation for that service. To receive compensation for teaching in an NACD seminar, a Director is required to have express approval from the Governance Committee, following a determination by the Committee that the arrangement provides the best value for NACD. Compensation for teaching

services cannot exceed \$50,000 annually. Each year, the CEO will provide the Board with a list of any payments to NACD Directors for services during the preceding year.

Chairman of the Board. The CEO may not serve as Chairman. The positions of Chairman of the Board and CEO are separate.

Selection of Chairman of the Board. The Chairman of the Board shall be an independent Director who is elected by the full Board. The Chairman is limited to one three-year term, unless the board votes to extend the term by one year due to special circumstances.

Selection of Vice Chairman of the Board. The Board will elect a Vice Chairman as a successor to the Chairman at the end of the Chairman's second year of service to allow for a smooth and seamless transition of leadership.

Selection of Directors. The Board elects Directors who have been recommended by the Governance Committee. Board members, employees or other interested parties may recommend candidates to the Governance Committee. The Committee reviews and evaluates candidates in accordance with the procedures set out in its charter and applies the criteria for membership adopted by the Board.

Criteria for Membership. It is the policy of the Board that Directors shall be members of the Association who have a reputation for integrity, leadership and the ability to exercise sound judgment. All Directors should be individuals who demonstrate a commitment to the mission of the Association. With the exception of the CEO, all Directors should be independent, as defined above. Furthermore, all directors, including the CEO, should be willing and able to adhere to NACD's Conflicts of Interest Policy.

In reviewing the needs of the Board, the Governance Committee will take into account that the Board as a whole should have competency in the following areas: (i) corporate governance; (ii) accounting and finance; (iii) leadership; and (iv) management. The Board also seeks men and women who have diverse backgrounds, are recognized leaders in their respective fields, and have the potential to make a significant contribution to NACD's mission. A candidate must be willing to make the commitment of time and efforts required of an NACD Director and have an understanding that Directors serve on a voluntary basis. The goal is to include members with the skills and characteristics that, taken together, will ensure a strong and independent board with experience and expertise in corporate governance.

On an annual basis the Governance Committee, together with the board (including the CEO), is responsible for reviewing the appropriate skills and characteristics required of new Board members in the context of the current makeup of the Board.

Term Limits. Directors shall be elected to serve for a term of three years and may serve for a maximum of three successive terms, unless they are elected to serve as Chairman or Vice Chairman prior to the expiration of their third successive term. Extension of term limits is not permitted unless they are consistent with the bylaws of the Association. The term limitation does not apply to the CEO, who may serve on the Board until resignation, removal or retirement. At its discretion, a majority of the Board may elect or re-elect a Director to a term less than three years.

Resignation Policy. Any non-employee Director who changes his or her principal occupation or employment, or retires, is required to offer his or her resignation to the Chairman of the Governance Committee. The Governance Committee, in consultation with the CEO and the Chairman of the Board, shall recommend to the full Board whether to accept or decline the offered resignation. NACD does not have a mandatory retirement age for Directors.

Board Compensation Policy. Directors of NACD are volunteers and they receive no compensation for serving as a Director. They are reimbursed for reasonable expenses incurred in performing their duties. Directors pay no fees for attending NACD meetings and are not required to pay NACD dues. Directors can attend any meeting or seminar of NACD with expenses paid by NACD.

Orientation of New Directors. The Governance Committee oversees the orientation of all new Directors. Generally, the CEO arranges for each new Director to meet individually with senior management and to attend at least two NACD educational programs. New Directors receive an NACD handbook that contains all of the governing documents, committee charters, written policies and procedures, and these guidelines. The NACD handbook also explains the history of NACD and describes its structure, operations, key staff and key relationships of the organization, including NACD's inside and outside auditors and counsel. Orientation is expected to be completed within six months from the time a Director joins the Board. The Board recognizes that the laws and practices regarding corporate governance continue to evolve, and that to remain an active, informed and independent Director contributing to NACD's mission, each Director must participate in continuing education. The Board encourages all Directors to attend and participate in NACD educational programs throughout their tenure as Directors.

Assessing the Board's Performance. The Governance Committee is responsible for ensuring that a process exists for the Board to routinely assess its own performance. The results are discussed by the Board with the CEO in attendance and in executive sessions with independent Directors only. The assessment examines the Board's contribution as a whole and reviews areas in which the Board and the CEO believe more effective contributions should be made. The Governance Committee is also responsible for ensuring that a process exists whereby the Board evaluates current members whose terms are expiring and who are seeking re-nomination.

Board Meetings and Procedures

Board Meetings. The Board has four regularly scheduled meetings annually. Special meetings of the Board may be requested by the Chairman, the CEO or any two Directors. Directors are expected to attend all such meetings in person, and to have reviewed all Board materials distributed to them. In special circumstances, a Director may participate by telephone.

Selection of Agenda Items. The Chairman of the Board and the CEO jointly establish the agenda for each Board meeting. Each Director is encouraged to add to the agenda any matter that the Director reasonably believes should be included.

On an annual basis, the Chairman of the Board and the CEO jointly prepare a list of topics to be on the Board's agendas throughout the year, indicating the meetings at which they will be addressed. The Chairman and the CEO also ensure that in addition to financial reports, the agendas will include critical, non-financial measures related to NACD's mission, such as membership levels, level of activity in educational programs, content of programs, publication activity, assessment of competition, member and client satisfaction, relationships with suppliers (including teachers and authors), and employee training, morale and productivity.

At the first Board meeting of each year, the Chairman of the Board presents meeting dates for the next two years. At this time, the Chairman solicits topics to be placed on the agenda in the coming year. The Chairman of the Board meets with the CEO as needed during the course of the year to discuss the Board agendas, and special topics are added as required.

Board Material Distribution. At least seven working days prior to each Board meeting, the CEO distributes to each Board member a proposed agenda for the meeting, along with advance copies (to the fullest extent possible) of any written material to be discussed. For convenience, the agenda and written material are distributed again at the meeting, along with any additional material that could not be sent in advance. In addition, the CEO regularly distributes to all Board members items of topical interest relating to NACD, its operating environment and the markets that it serves.

Attendance of Non-Directors. NACD's senior management makes presentations to the Board on a regular basis. From time to time, other NACD staff may attend Board sessions and make presentations. At its discretion, the Board may invite independent advisors to attend Board meetings.

Executive Sessions. The independent Directors will meet in executive session during each of the Board's regularly scheduled meetings without any management Director or any members of management present, to: (i) evaluate the performance of the CEO and establish compensation; (ii) elect officers; (iii) review management succession planning; (iv) confirm Board committee assignments recommended by the Governance Committee; and (v) consider such other matters as they deem appropriate. The CEO may be invited to attend a portion of the executive session. Any independent Director who believes an executive session of independent Directors is desirable on any subject can so indicate to the Chairman of the Board and such a session will be held. After each executive session of independent Directors, the Chairman of the Board advises the CEO of relevant items, as appropriate.

Board Access to NACD Employees. Board members have complete and open access to NACD senior management and staff at all times. Board members are expected to use their judgment to be sure that such contacts are not distracting to NACD's operations. Matters of substance are reported to the CEO. If a Director communicates in writing to senior management other than the CEO, or to staff members about a matter of substance, a copy of the communication should be provided to the CEO.

Confidentiality Policy. The Board believes that maintaining confidentiality of information and deliberations is an obligation of each Director.

Duties and Responsibilities

Oversight. The Board of Directors oversees the management of NACD. The Board delegates responsibility for day-to-day management to its CEO and other senior management. Directors provide the CEO and senior management with guidance and strategic oversight to advance NACD's mission. The Board's duties and responsibilities are set out in the Board's bylaws, committee charters and governance guidelines, and include being responsible for: the size and composition of the Board; selection, compensation and evaluation of the CEO; planning management succession; reviewing and approving strategic and business plans, including financial objectives and budgets; election of Board members; evaluation of the Board; oversight of the scope and quality of services provided to members and the public; oversight of the financial reporting processes and accounting practices; assessment of the adequacy and effectiveness of systems of internal controls regarding finance, accounting, and legal and regulatory compliance; assessment and management of major risks; development of policies, procedures and programs to ensure that the activities of NACD Directors and employees are in compliance with legal and ethical conduct standards; and review of governance policies and practices.

Board Committees

Standing Committees. The Board has four standing committees: Audit and Finance, Compensation and Human Resources Committee, Governance, , and Chapter Support. The Board may create, discharge or revise the composition or mission of any committee at any time.

Assignment and Rotation of Committee Members. The Governance Committee, in consultation with the Chairman of the Board and the CEO, and with consideration of the desires of individual Board members, recommends committee assignments, including chairmanships, to the full Board for approval. The Audit and Finance Committee, the Compensation and Human Resources Committee, and the Governance Committee consist only of independent Directors. The CEO is an ex-officio and non-voting member of the other committees; the Chairman of the Board is an ex-officio member of every committee. It is Board policy to rotate chairmanships every five years. Other committee members are rotated periodically as the Board deems appropriate, although membership on a committee is normally limited to five years for one assignment. A Board member ordinarily will not serve on more than two committees. Exceptions to these guidelines are made as the Board deems suitable.

Committee Agendas. The chairman of each committee, in consultation with committee members and the Chairman of the Board and the CEO, prepares an annual schedule of all regularly recurring items to be considered by each committee. This forward-looking committee agenda is shared with the Board as part of the Board's review of its agendas during the year. The committee chairmen, in consultation with other committee members, may place topics on the committee agendas throughout the year, in consultation with the Chairman of the Board, the CEO and senior management.

Frequency of Committee Meetings. Each committee is required to meet at least twice annually or more frequently, as the committee determines necessary, to carry out its duties and responsibilities. Additional meetings may be held at the request of two members of the committee, the Chairman of the Board or the CEO. Each committee chairman schedules the committee meeting calendar for the upcoming calendar year. Regular meetings generally are scheduled on the same dates as Board meetings. Following a committee meeting, each committee reports to the Board at the next meeting of the Board.

Committee Charters. Each committee has a written charter that has been approved by the Board. The charters, which are reviewed annually and updated, as appropriate, set out the duties and responsibilities assigned to the committees to assist the Board in fulfilling its fiduciary obligations.

Committee Material Distributed in Advance. Seven working days prior to each committee meeting, at the committee chairman's direction, a staff member designated by the CEO sends a proposed agenda to each committee member along with advance copies (to the fullest extent possible) of any written material to be discussed. For convenience, the agenda and the written material are distributed again at the meeting, together with any additional material that could not be sent in advance.

Executive Sessions. The independent Directors of each committee may meet in executive session during each regularly scheduled meeting.

The CEO and Other Senior Management

Acting as a Resource for Management. The Board supports the work of the CEO and other senior management through advice, mentoring and introductions. Board members, however, do not manage the day-to-day operations of NACD, which is the responsibility of the CEO and other senior management.

Performance Evaluation of the CEO. The Compensation and Human Resources Committee annually reviews the CEO's performance in light of goals and objectives previously approved by the Board. It then makes a recommendation to the Board with respect to compensation. The Committee's recommendation will be consistent with NACD's compensation philosophy and contractual obligations to the CEO. The evaluation is based on objective criteria intended to reflect the CEO's contributions to the overall performance of NACD in meeting its mission. The criteria are agreed to in advance with the CEO, and include, among other factors: the financial performance of NACD; the qualitative performance of the CEO; vision and leadership; accomplishment of long-term strategic objectives; and development of management and faculty—all of which have a specified basis of measurement. The performance evaluation is discussed with the CEO and is used to identify strengths and areas in need of improvement.

Compensation of the CEO and Other Senior Managers. The Compensation and Human Resources Committee makes compensation recommendations to the Board, including incentive compensation for the CEO and other senior managers. The Board reviews these evaluations and recommendations and makes the final decisions on compensation. In making these decisions, the Board considers any employment contracts.

Succession Planning and Management Development. The CEO makes an annual report to the Board on succession planning and management development. This report includes specific recommendations on succession planning and related issues for senior managers, as well as recommendations concerning interim succession for the CEO in the event of an emergency. The Compensation and Human Resources Committee and the Governance Committee, in consultation with the CEO, are responsible for developing a succession plan and submitting it to the full Board for approval.

Service on Outside Boards. The CEO and other executives must obtain the approval of the NACD Board prior to accepting an invitation to serve on the board of a public company or on the board of any private company that would represent a material commitment of time. The CEO and other executive officers of NACD are not permitted to serve on the board of any company in which an independent Director of NACD serves as an officer or director.

Former CEO's Board Membership. It is NACD's policy that when the CEO retires from active management, the CEO must also resign from the Board at that time.

Legal and Ethical Conduct

The Board is responsible for establishing policies and programs to ensure that NACD activities are conducted in a legal and ethical manner. Among its other duties, the Audit and Finance Committee assists the Board in fulfilling its oversight responsibility relating to finance, accounting, and legal and regulatory compliance, laws, and regulations. The Governance Committee recommends for Board approval a Conflict of Interest policy and a Code of Ethics. The Audit and Finance Committee recommends a Whistleblower Protection Policy, and a Record Retention and Document Destruction Policy for Board approval. The Audit and Finance Committee and the Governance Committee have shared responsibility with regard to reviewing and monitoring compliance with laws, regulations and NACD policies.

Conflicts of Interest. All Directors must comply with the provisions of NACD's Conflict of Interest Policy and its Code of Ethics. It is the responsibility of each Director to advise the Chairman of the Board and the Governance Committee of any affiliation, relationship or transaction that may create a conflict of interest with NACD.

A Director's relationships, including business, family or other nonprofit organizations, may occasionally give rise to that Director's material personal interest on a particular issue involving NACD. The Board, after consultation with outside counsel, if necessary, will review the matter on a case-by-case basis and determine whether such a conflict of interest exists. The Board may delegate the initial investigation of a potential conflict to the Governance Committee. The Board takes appropriate steps to identify such potential conflicts and to ensure that all Directors voting on an issue are disinterested with respect to that issue.

Code of Ethics. The Board is responsible for overseeing corporate ethics. Each Director and all employees are expected to adhere to the highest ethical standards. All Directors are expected to comply with the NACD Code of Ethics.

Whistleblower Protection Policy. It is the policy of the Board that all Directors, officers and employees are responsible for complying with NACD's Whistleblower Protection Policy and to report violations and suspected violations in accordance with the policy. NACD expects all Directors and employees to be honest and to adhere to the NACD Code of Ethics, and it does not condone any activity that is illegal or improper, whether engaged in by a Director or an employee. Any Director, officer, employee, or independent contractor who in good faith reports any activity believed to be illegal or improper to the Chairman of the Board, CEO, Chairman of the Audit and Finance Committee or Chairman of the Governance Committee, will be protected against retaliatory actions. Directors should familiarize themselves with the Whistleblower Protection Policy and procedures. Complaints may be submitted on a confidential or anonymous basis, and reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Record Retention and Document Destruction Policy. It is the policy of NACD to retain records, including paper records, electronic files and voicemails, for the period of their immediate or current use, unless longer retention is necessary for historical reference or to comply with contractual or legal requirements. It is also the policy of NACD to not knowingly destroy a document, if the destruction would result in a violation of 18 U.S.C. §1519 and the Sarbanes-Oxley Act. A formal, written Record Retention and Document Destruction Policy will be distributed to all Directors and employees.

Amended 7-23-14